

Market Overview

E-commerce in the Dominican Republic is still in an early stage of development. Dominican businesses are very conservative and have been slow to integrate electronic commerce transactions into their operations. Currently, only a few industry sectors offer e-commerce capability, which is mostly business to consumer (B2C).

There is very little business to business (B2B) e-commerce and the B2C segment has experienced the largest growth. Within the B2C segment, the banking sector is the industry where e-commerce has shown the most growth and impact. Virtually all banks and most financial service institutions in the D.R. have websites to assist clients with tasks, such as, paying utility bills, monitoring their accounts status, and transferring of funds, among others. The largest local bank has recently announced that 55 percent of their operations are completed electronically.

Another industry that has been steadily increasing its B2C e-commerce activity is the hospitality industry. A majority of the hotels have web-based room-booking capability and several fast food restaurants offer on-line ordering. Because there are more than one million Dominicans living overseas and sending goods and money remittances with regularity, several business are offering on-line ordering of products and services. These products can be ordered and paid overseas but delivered in the D.R. The largest local supermarket chain launched this service in 2004 and has reported increased sales through their website (www.mandalo.com).

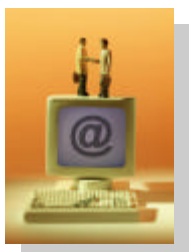
Regarding Government to Citizens (G2C) e-commerce, the Government seeks to implement a national plan for e-government that will develop and maintain Internet-based e-government systems, allowing government agencies to better provide services and information to the general public. The government plan will simplify the process of government procedures and citizen requests. This plan may entail significant export opportunities for U.S. suppliers of Information Technology (IT) hardware, software, networking, consulting and IT related services.

There are no statistics for the number of e-commerce transactions executed in the D.R. but local contacts interviewed for this report have indicated that most of the e-commerce B2C transactions are with business outside the country, among which the most popular are Amazon and E-Bay.

Some of the contributing factors to slow growth in e-commerce in the D.R. are:

1) Reduced penetration of PCs in the consumer market: It is estimated that less than approximately three percent of the Dominican population owns a PC. This situation is expected to improve due to some government policies designed to provide PC's to large segments of the population. In addition, there is an expected reduction in the price of PC's after the elimination of the 13 percent Exchange Surcharge as a result of the implementation of the free trade agreement with the United States (CAFTA-DR). The Secretariat of State for Education, Science and Technology has a "Trade Fair Program", which provides for the organization of trade fairs for teachers and government employees. The first activity was a one-week trade fair on computer equipment in January 2005. Each Dominican teacher who attended the trade fair received a RD\$5,000.00 subsidy (approximately US\$166.00) to be used towards the purchase of a complete set of equipment, which included a PC and a printer, as well as one-year free Internet subscription.

The subsidy also includes a five-year financial package for which the teachers did not have to provide down payment.



The activity was extremely successful, selling 11,000 PCs in only seven days. There will be a similar trade fair extending the same offer to all government employees in November 2005. The "Trade Fair Program" will be executed regularly.

2) Low Internet penetration and high cost of access: The D.R. launched Internet service in 1994. Even though it has experienced continuous growth, eleven years later there is still little use of Internet outside of Santo Domingo, Santiago, and La Romana, the country's largest cities. A mere 1.2% of the population has Internet access. It is estimated that by the end of 2005 the number of Internet users will reach 121,000 for a growth of approximately 14 percent. There are four Internet Service Providers in the Dominican Republic offering Internet access, hosting, housing and collocation. The monthly fee for an unlimited ADSL access is approximately US\$91.00 which is considered very high in a country with a per capita income of US\$6,300 and a minimum salary of approximately US\$200.00.

INTERNET	Year 2001	Year 2002	Year 2003	Year 2004
Number of lines	64,382	82,518	96,391	106,296
Growth rate		28.20%	16.80%	10.30%
INTERNET TELEDENSITY	0.80%	0.90%	1.10%	1.20%

NOTE: Statistical information was retrieved from the Instituto Dominicano de las Telecomunicaciones (INDOTEL): www.indotel.org.do,

The government has recognized the importance of reducing the digital gap in the D.R. and has launched two important programs to provide free Internet access: The "Free Internet in Public Libraries Project" and the "Digital Libraries for Universities Project". The "Free Internet in Public Libraries Project" has the goal of installing three to five computers with ADSL Internet connection in 50 Public Libraries in the poorest sectors of the country. The "Digital Libraries for Universities Project" is intended to provide 17 libraries with LAN Wi-Fi capabilities in the several campuses of the Autonomous University of Santo Domingo (UASD), the largest local university with campuses in several cities.

3) Delivery problems: An important factor in e-commerce transactions is product delivery. Due to the inefficiency of the postal service in the D.R., Dominicans must resort to contracting private postal/ courier services, which increase the cost of shipping and handling, thus, reducing the attractiveness of on-line purchasing.

4) Reduced customer confidence in Web security: Credit card fraud is wide spread in the D.R. and as a result, Dominicans tend to be very cautious when providing their credit card information to other parties. In September 2002, the D.R. inaugurated Law No. 126-02 concerning Electronic Commerce, Electronic Documents, and Digital Signatures. This law and its regulations are expected to help increase the e-commerce safety.

Regulatory Issues

Law No. 126-02 is the Dominican law that regulates Electronic Commerce, Electronic Documents, and Digital Signatures. The basic features of this law are the following:



1- Gives legal force to any transaction or contract completed electronically. This law is applicable to all types of information in the form of a digital document or data message and defines electronic commerce as: "every relationship of a commercial nature, whether contractual or not, structure based on the use of one or more digital documents or data messages or of any other similar medium."



Some of the commerce activities that can be considered e-commerce are: commercial operations of supplying or exchanging goods, services, or information; distribution or representation agreements; purchasing of accounts receivable, at a discount price (factoring); rental or leasing; construction of works; consulting; engineering; granting of licenses; investment; financing; banking; insurance; agreement of concession or exploitation of a public service; joint ventures; and transportation of merchandise or passengers, among others.

The law provides the following exceptions where Law 126-02 is not applicable:

- a) In the obligations contracted by the Dominican State pursuant to international conventions or treaties;
- b) In the written warnings which, because of legal provisions, must necessarily be printed on certain types of products because of the risk implied by their marketing, use, or consumption.

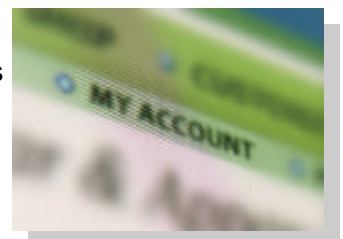
2- Makes electronic signature a legal instrument: In the past, only hand-written signatures have been legally valid, but this legislation extends that recognition to electronic signatures. Digital documents and data messages are now admissible as means of proof, and have the same proving effect granted to acts under private signature in the Civil Code and in the Code of Civil Procedure.

3- Provides for the creation of Certifying Entities: The law provides the regulations for the creation of institutions or companies, which can be authorized to issue certificates in relation to the digital signatures of persons. Certifying Entities may be companies, both public and private, of national or foreign origin, and the chambers of commerce and production which, after application, are authorized by the Dominican Telecommunications Institute (INDOTEL) to provide the following services: issue certificates with regard to the digital signatures of persons or companies; offer or facilitate the services of creation of certified digital signatures; offer or facilitate the services of chronological recording and stamping in the transmission and receipt of data; etc. It is important to note that when the CAFTA-DR enters into effect all Certifying Entities from the United States will be able to provide certification services without the requirement of having a physical presence or incorporating a firm in the territory of the D.R.

The Dominican Telecommunications Institute (INDOTEL) is the government agency in charge of overseeing the application of Law 126-02. It is responsible for the following functions:

1. Authorization of the operations of the Certification Entities within national territory;
2. Ensuring of the proper functioning and efficient provision of the service by the certifying entities, and the full compliance with the legal and regulatory provisions of the activity;
3. Definition of the technical requirements required by the certifying entities;
4. Issuing of certificates regarding the digital signatures of the certifying entities;
5. Evaluation of the activities performed by the authorized certifying entities in accordance with the requirements defined in the technical regulations;
6. Imposing of sanctions on the certifying entities for noncompliance or partial compliance with the obligations deriving from the rendering of the service;
7. Cancellation or suspension of the authorizations to operate as a certifying entity;
8. Approving of regulations for the providing of the service, as well as their reforms;
9. Ensuring of the observance of the constitutional and legal provisions concerning the promotion of restrictive commercial practices and competition.

For the complete English version of the law, interested firms should visit www.indotel.org.do





The U.S. Commercial Service, an agency of the U.S. Department of Commerce, is a global network committed to supporting U.S. commercial interests around the world.

The U.S. Commercial Service offers comprehensive, customized solutions to your international trade challenges and provides export promotion assistance through a variety of products and services. The U.S. Commercial Service office in Santo Domingo is the regional headquarters for Commerce Department programs in the Caribbean.

For information on our products and services please visit our website
www.buyusa.gov/caribbean .

Author: Isolda Frias, Commercial Specialist, CS Dominican Republic
Date of Report: September, 2005
Phone: (809) 227-2121 ext. 226 **Fax:** (089) 920-0267
E-mail: isolda.frias@mail.doc.gov **Web:** www.buyusa.gov/caribbean

